

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF DELAWARE**

<b>In Re:</b>  <b>W.R. GRACE &amp; CO., et al.,</b>  <b>Debtors.</b>	<b>§</b> <b>§</b> <b>§</b> <b>§</b> <b>§</b> <b>§</b>	<b>Chapter 11</b>  <b>Jointly Administered</b> <b>Case No. 01-01139 (JKF)</b>
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**FEE AUDITOR'S FINAL REPORT REGARDING  
FEE APPLICATION OF PIPER JAFFRAY & CO.  
FOR THE TWENTY-SIXTH INTERIM PERIOD**

This is the final report of Warren H. Smith & Associates, P.C., acting in its capacity as fee auditor in the above-captioned bankruptcy proceedings, regarding the Twenty-Sixth Interim Quarterly Fee Application of Piper Jaffray & Co. (the "Application").

**BACKGROUND**

1. Piper Jaffray & Co. ("PJC") was retained as financial advisor to David T. Austern, Future Claimants Representative. In the Application, PJC seeks approval of fees totaling \$300,000.00 and costs totaling \$857.11 for its services from July 1, 2007 through September 30, 2007 (the "Application Period").
2. In conducting this audit and reaching the conclusions and recommendations contained herein, we reviewed in detail the Application in its entirety, including each of the time and expense entries included in the exhibits to the Application, for compliance with 11 U.S.C. § 330, Local Rule 2016-2 of the Local Rules of the United States Bankruptcy Court for the District of Delaware, Amended Effective February 1, 2006, and the United States Trustee Guidelines for Reviewing Applications for Compensation and Reimbursement of Expenses Filed Under

11 U.S.C. § 330, Issued January 30, 1996 (the "U.S. Trustee Guidelines"), as well as for consistency with precedent established in the United States Bankruptcy Court for the District of Delaware, the United States District Court for the District of Delaware, and the Third Circuit Court of Appeals. We served an initial report on PJC, and received a response from PJC, portions of which response are quoted herein.

## **DISCUSSION**

### General Issues

3. We note that in its application, PJC seeks interim allowance of compensation in the amount of \$300,000.00, representing a monthly fee of \$100,000.00 as specified in PJC's Letter of Agreement.<sup>1</sup> For the interim period, PJC lists 947.40 hours worked, which computes to an effective hourly rate of \$316.66.

### Specific Time and Expense Entries

4. In our initial report, we noted the following meal charges for which more information was needed:

158.28	Joe Radecki	9/17/07
75.00	Joe Radecki	9/17/07

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<sup>1</sup>We note for informational purposes that PJC's Letter of Agreement states that the firm is to receive a flat fee of \$100,000.00 per month. It further states that, "...following the initial twelve (12) month period, a fee to be negotiated that is mutually acceptable to the Future Representative and Piper Jaffray, subject to Bankruptcy Court approval, for each month thereafter up through the month of the effective date of a plan of reorganization or termination of this letter agreement, whichever is first." The initial 12-month period referenced in the Letter of Agreement expired on February 16, 2007. Thus, we asked PJC if it had negotiated a different fee arrangement with the Future Claims Representative, and, if so, whether it had obtained court approval for same. PJC responded that "no different fee arrangement was negotiated and thus we did not seek further court approval."


In response to our inquiry, PJC advised that “the charge of \$158.28 was for a lunch for seven professionals and the charge of \$75.00 was for a lunch for two professionals.” It appears to us that one can dine satisfactorily for \$25.00 for lunch. Thus, we accept PJC’s response with respect to the first charge, but for the second charge we recommend a reduction of \$25.00 in expenses.

### **CONCLUSION**

In summary, we recommend approval of \$300,000.00 in fees and \$832.11 in expenses (\$857.11 minus \$25.00) for PJC’s services for the Application Period.

Respectfully submitted,

**WARREN H. SMITH & ASSOCIATES, P.C.**


By:   
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**FEE AUDITOR**

### **CERTIFICATE OF SERVICE**

I hereby certify that a true and correct copy of the foregoing document has been served by First Class United States mail to the attached service list on this 20<sup>th</sup> day of February, 2008.

  
Warren H. Smith

## **SERVICE LIST**

### Notice Parties

#### **The Applicant**

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